



14 February 2019

ASX release

Tassal delivers its best ever first half results

Tassal Group Limited (ASX: TGR) is pleased to announce its results for the six months ended 31 December 2018 (1H19) that saw the Company deliver its best ever first half results across all key operational and financial metrics. A significant increase in salmon growth and sales, combined with favourable market dynamics, drove strong growth in revenue and EBITDA and a step-change in operating cashflows.

Key 1H19 highlights:

- **Best ever first half results** with Operating NPAT up 22.3% to \$31.7 million and operating cashflow up 96.3% to \$79.6 million **clearly highlighting the strength of Tassal’s platform to generate continued, sustainable growth in shareholder returns**
- **Significant growth in salmon biomass and sales**
 - Record tonnage – harvest up 16.4% to 21,710 hog tonnes; sales up 21.7% to 20,578 hog tonnes
 - Optimised salmon size (4.7kg hog)
 - Value of live biomass up 7.0% to \$330.2 million
- **Favourable salmon market dynamics** saw strong consumer demand continuing to outpace supply growth, improving salmon base selling prices in all market channels. Together with larger fish and an ability to further optimise sales mix, this has offset increased salmon cost of goods sold
- **Investing in the right initiatives to support sustainable long-term growth**, with Centralised Feed Centre and Well Boat to drive future efficiencies
- **Prawns providing diversification and long term earnings runway**, with acquisition complete and implementation of stocking ponds proceeding well, material earnings to commence in the short to medium term.

Financial summary

Financial Performance (A\$m)	1H19	1H18	Change
Revenue	326.00	261.18	24.8% ▲
Operating results			
Operating EBITDA	64.27	53.21	20.8% ▲
Operating EBIT	49.83	40.65	22.6% ▲
Operating NPAT	31.72	25.95	22.3% ▲
Statutory results			
Statutory EBITDA ¹	65.87	56.74	16.1% ▲
Statutory EBIT ¹	51.43	44.17	16.4% ▲
Statutory NPAT ¹	32.84	28.41	15.6% ▲
Operating cashflow	79.65	40.57	96.3% ▲
Interim dividend - cps ²	9.00	8.00	12.5% ▲
Gearing Ratio ³	19.8%	13.0%	
Funding Ratio ⁴	35.4%	26.1%	

Note

1. 1H19 Statutory EBITDA included \$3.3 million SGARA adjustment, compared to \$3.5 million in 1H18. Likewise, 1H19 Statutory NPAT included \$2.3 million SGARA adjustment compared to \$2.5 million in 1H18
2. The interim dividend for 1H19 is 25% franked (1H18: 100% franked)
3. Gearing ratio as represented by net debt / equity
4. Funding ratio as represented by net debt + receivables purchase facility / equity

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Commenting on the Company's best ever first half result, Tassal Managing Director & CEO Mark Ryan said:

"Tassal continues to go from strength to strength with a thriving and sustainable seafood business supported by a strong team, environmentally sound farming practices and attractive market conditions. Our focus on sustainable salmon growth, our De Costi Seafoods distribution operation, and now our diversification into high returns prawns, has us in the best position we have ever been in to deliver growing shareholder returns.

"Salmon market conditions continue to be favourable with domestic and international demand outpacing supply growth. Within this market context we have been able to grow salmon volume through sustainable and environmentally sound farming practices that we have implemented from the fish in our nurseries to harvest fish. Our selective breeding program combined with leading scientific knowledge and innovations in salmon have provided a more resilient fish, and we are now using these learnings for prawns.

"Over the medium term our growth is underpinned by an ever-increasing demand for high quality, sustainable, salmon and prawns. Our strategic acquisition of the Fortune Group prawn farming business, and investment in modernising and expanding its farming operations, like we previously did with our salmon operations, will propel our next wave of growth and deliver material earnings upside in the short to medium term.

"Our ongoing initiatives in biomass and infrastructure via responsible capital spend has enabled Tassal to continue its strong revenue and operating earnings growth profile. Revenue was up almost 25% while operating cashflow nearly doubled. Our growing returns supported an increased dividend, strengthened our balance sheet, and allowed for further investment in biomass and capital infrastructure to support our long-term growth strategy."

Optimised sales mix, strong pricing environment and favourable supply and demand thematic

Over 1H19, Tassal experienced strong growth in salmon production and sales, and continued to focus on driving cost efficiencies where possible while optimising its sales mix. Total salmon sales volumes were up 21.7% to 20,578 Hog tonnes, and within this, Tassal's Australian domestic volume was up 18.8% to 13,950 Hog tonnes. This strong growth in volumes and further optimisation of sales mix underpinned a 32.8% growth in salmon revenue to \$285.4 million.

"Salmon continues to gain a larger portion of the Australian dinner plate, as consumers want a healthier, sustainable source of nutrition. The consumer trends in Australia are also being seen overseas, with export market demand also increasing, specifically for our larger sized fish that are strategically targeted to Asia-based customers," said Mr Ryan.

Tassal's newly acquired prawn farms have performed well, and the Company's strategy to substantially increase production is now being implemented. Material earnings from the prawn operations will materially commence in the short to medium term. With a 9-month working capital cycle [vs 3 years for salmon] and an EBITDA margin 2.5x salmon, Tassal's new prawn business provides a very attractive new earnings growth runway.

Exceptional growth in operating cashflows

Operating cashflow was up 96.3% to \$79.6 million, reflecting the strength of Tassal's underlying business and operational strategy. "The continued strength in our operating cashflow generation allows us to strategically invest in key salmon biomass initiatives and infrastructure projects, such as the near fully operational Centralised Feed Centre, and the Well Boat due to be delivered in September 2019. Both these initiatives will underpin sustainable growth in long term returns, while we also invest in our new Prawn farming operation," said Mr Ryan.

Sustainability and environmental responsibility are central to our social licence to farm

Tassal is recognised as a leader in sustainability and environmental responsibility in the aquaculture industry globally. Tassal is committed to providing Australians with responsibly produced and sourced seafood. As a growing company in expanding salmon and prawn industries, Tassal is building on its past successes and addressing present challenges with a key focus on reducing marine debris footprint and applying spatial planning principles for its next growth phase.

Tassal will continue to collaborate with WWF-Australia, as well as locally based environmental, conservation and indigenous social enterprise groups, involving partnerships with NRM Tasmania and pakana Services.

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“Tassal’s long term success is only possible if we continue to focus on maintaining environmentally responsible and sustainable farming practices, and engaging with the community and all our stakeholders in a proactive manner, by fostering community awareness, upholding a scientific voice and meeting the highest standards globally,” said Mr Ryan.

Strategically positioned to deliver the next wave of growth

Commenting on Tassal’s positive outlook for 2H19, Mr Ryan said:

“Tassal is in its strongest position ever to deliver on its long-term growth strategy, with diversified operations across salmon and prawns. We will look to replicate the growing returns in our salmon business, achieved through farming and technology initiatives, into our prawn business. We will not waver from ensuring that the growth we are positioned to deliver will be done in an environmentally responsible and sustainable manner.

“Growing consumer demand for nutritional food has seen salmon demand outpace supply growth in Australia and overseas, continuing to underpin strong pricing that is offsetting salmon cost of goods sold. Growing operational returns, a strong balance sheet, and healthy cashflows, allows us to invest in strategic long-term opportunities to diversify and grow our business while delivering increasing returns for our shareholders. Tassal is in a very exciting position with a strong salmon business, strong De Costi Seafoods distribution business, and attractive newly acquired prawn business, to be able to deliver another record result in FY19.”

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon and prawn grower and salmon, prawn and seafood processor, seller and marketer. The Company produces and sells premium salmon, prawn and seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon and Tiger Prawns through its De Costi Seafood business sources and processes a wide range of seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and seafood sourcing. The company employs over 1,400 people. Visit www.tassal.com.au for more information.

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